

CONNECTICUT GREEN BANK
Board of Directors

Minutes – Regular Meeting
Friday, February 26, 2016

1. **Call to order:** Catherine Smith, Chairperson of the Green Bank and Commissioner of the Department of Economic and Community Development (“DECD”), called the meeting to order at 4:09 p.m. Board members participating: Bettina Bronisz, State Treasurer’s Office; Norma Glover; John Harrity (by phone); Reed Hundt (by phone); Rob Klee, Vice Chairperson of the Green Bank and Commissioner of the Department of Energy and Environmental Protection (“DEEP”) (by phone); Matthew Ranelli and Mun Choi (by phone)

Members Absent: Patricia Wrice, Tom Flynn, & Kevin Walsh

Staff Attending: Bryan Garcia, Anthony Clark, Bert Hunter, Jane Murphy, Mackey Dykes, George Bellas, Mariana Trief, Brian Farnen, Ben Healey (by phone), Alex Kovtunenکو, and Cheryl Samuels.

2. **Public Comments**

Carol Wasserman (NEHC), Michael Kerr (NEHC), and Philip Moreschi (Fuss & O’Neill) attended but made no public comment.

3. **Consent Agenda**

- a. Approval of Meeting Minutes for January 15, 2016

Resolution #1

Motion to approve the minutes of the Board of Directors Regular Meeting for January 15, 2016

- b. Financial Statements through December 31, 2015
- c. Transactions up to \$300,000 and No More in Aggregate than \$1,000,000

Upon a motion made by Bettina Bronisz, and seconded by Matt Ranelli, the Board members voted unanimously in favor of adopting the Consent Agenda and Resolution #1 as written.

4. **Staff Transaction Recommendations**

- a. **Commercial and Industrial Transaction Recommendations**

- i. **Cargill Falls – C-PACE Transaction was moved up on the agenda at the request of the Chair**

Ben Healey discussed the Cargill Falls project, providing an in-depth overview. He stated that this project had already previously been approved by the Deployment Committee. He stated that as a result of several changes in the project scope, staff, on behalf of the developers, is currently looking to secure additional funding for the project.

He explained that this is a C-PACE project, providing behind the meter hydro power, together with a redeveloped mill site that will result in affordable residential housing and some commercial space. He explained that the great upside of this is that the hydro portion is part of a larger redevelopment. He explained that there are half a dozen buildings on this site, which will include residential and commercial space.

The total project is \$25 million, with the real estate development being approximately \$20 million and the hydroelectric development comprising the balance. He advised that there is a firm commitment on closing on all of the financing related to the real estate portion of the development, and these funds are expected to close once the hydro portion is complete within the next few months.

He explained that this is a 900 kilowatt project, projected to generate 3 million kilowatts annually, with a useful lifetime of 50 years. He explained that if you compare this with solar, to get 3 million kilowatt hours in a year, that would cost approximately \$9 million, but half of that for the hydro, or \$4.7 million. He explained that this is a clean energy win of significant proportions.

He explained that the Deployment Committee had initially approved this project a little over a year ago at \$2.25 million. He explained that approximately \$1.65 million has been dispersed to date. He explained that staff is asking to increase the project size in terms of the C-PACE investment.

Ben Healey explained the reasons for the increase in cost. He advised that in an effort to keep the costs down, the developers had chosen Chinese turbines. Staff had determined that they could not be comfortable with them, because they were concerned about the accessibility of parts and extremely limited performance experience outside China.

He explained that staff is requesting to double the project investment to \$4.7 million. He explained that to make it work for cash flow that there will be an interest-only period of two years, and during this time there will be a cash sweep to the Connecticut Green with a target yield at 9%. If the target rate is not met, then cash deficiencies will be repaid out of the excess cash during the amortization period. He explained that this project is expected to be placed with the Hannon facility, although this will not happen immediately, but considered later after the project has completed construction (both the hydroelectric and the real estate development).

Ben Healey explained that once the project is completed, it is behind the meter power offsetting retail rates. He explained that the developers currently have a \$95 ZREC. He advised that if the project is not interconnected with Eversource within 30 days (April 1) the developers will lose that ZREC. He explained that the assumptions presented to the Board are based on a new, lower ZREC. He explained that, during the project period, cash flows are expected to be sufficient to pay back the financing. He explained that, based on the project pro forma, it is approximately a \$2 million NPV for the risk that the Connecticut Green Bank is taking. He advised that this is not a project without risks and wants the Board to be aware of that. He explained that the Green Bank has the benefit of the C-PACE benefit assessment lien, as well as the hydro equipment, because the Green Bank has a security interest in that.

Ben Healey explained that it should work as structured and that the staff is requesting approval. He explained that it is in line with the Connecticut Green Bank's clean energy mandate and also reinforces their role as a driver of economic development.

Norma Glover expressed concerns that they will not meet the deadline with the FERC license. Ben Healey advised that this project has met the requirement associated with the license and that there is no risk of losing it.

Matt Ranelli advised that he is inclined not to support the request. He advised that he is concerned that the developers had not returned to their investors for the additional funds. He explained that it seems odd that they would come back to the Connecticut Green Bank for the money. Commissioner Smith asked if the financing is segregated between the housing and the energy portions of the project. Bert Hunter advised that yes it is.

Ben Healey advised that the Connecticut Green Bank has been the sole financier for the hydro. He explained that they could go out and source new capital, but the goal was that the developers were so focused on meeting the deadline that they trusted that the Connecticut Green Bank would be on board with them.

Commissioner Smith questioned if there was a sense of when they might hear back from PURA on a request for the extension. Ben Healey advised that they are not sure, but he doesn't feel it would be delayed, more likely if passed, which is not assured, it would be retroactive of the extension.

Matt Ranelli explained that he is concerned that the developer has not put a personal guarantee on this project. Ben Healey explained that the development team was hired by the owners of the project and that he's not entirely sure of what their personal wealth might be. He advised that in terms of personal guarantees on the housing side, there would not be much value in their personal guarantees. They would have to go back to their investors.

Commissioner Smith questioned who the developers for the hydro are. Ben Healey explained that there are several. He explained that there is a hydroelectric expert with 30 years of experience and a construction management firm that was retained at the insistence of the Connecticut Green Bank. He explained that it is not a traditional hydro developer. It's an assortment of players.

Commissioner Smith advised that one of her concerns is that the people doing the work have no skin in the game. Brian Farnen stated that the struggle is that personal guarantees don't work well with traditional C-PACE deals but we could seek for additional security and skin in the game. He explained that additional direction would be contingent on looking at some other kinds of fees. Ben Healey explained that on the housing development side a developer fee has already been reduced to zero. The owners in this case will make their money over the long-term ownership of a successful project.

Norma Glover questioned how much the Connecticut Green Bank has into this project. George Bellas stated that it is about \$1.4 million in advances on the current C-PACE. Bert Hunter explained that they have a full and complete security interest.

Bettina Bronisz expressed her concern that they will not be able to come back in the future for anything else as it will already have been exhausted.

Matt Ranelli expressed his concern that they cannot run it if things go south for the developers at this point in time. Bert Hunter advised that they do have that in the existing agreement and that they will take it over if they cannot build the rest of the project.

Commissioner Smith questioned if everything were to go wrong, what is the Connecticut Green Bank be left with. Ben Healey explained that they have a current financing agreement that is co-signed by two LLCs. He advised that under that agreement they have the ability to foreclose on the property, complete and operate the project.

Commissioner Smith questioned what the value would be that the Connecticut Green Bank would be getting back. Ben Healey explained that it would be a very rare case to sell it someplace else. He stated that if the rest of the mill doesn't get built, and that they sell back at only wholesale prices the Green Bank might not get its principal plus interest back. He stated that the Green Bank will get its principal back. He explained that the money comes back without a whole lot of extra return in a worst case scenario.

Commissioner Klee stated that this is much more complicated than the typical solar install. He questioned if it gets into service, will it stay in service during the construction phase. Ben Healey explained that things

would just be carefully worked around with no expectation that the hydro would have to be shut down on a continuous basis.

Matt Ranelli requested that staff come back with more information at a later date. He requested that the owner try to find another source of capital. Bert Hunter confirmed that work will stop if the funds are not provided. He explained that it was the choice of improving the turbines and a project scope that was now fully developed that had increased the costs. He explained that the developers didn't anticipate the increased costs. He explained that if the Board does not approve, all of the contractors will demobilize. He explained that the restart cost might sink the ability of this project to move forward as well as delay the Department of Housing's ability to move forward. Matt Ranelli questioned how soon work would stop. Ben Healey stated that he is not sure in the context of dollars, but they would basically tell the contractors to cease working.

Commissioner Smith questioned if because they're rushing, has this increased the costs. Bert Hunter stated no, expediting the project doesn't have anything to do with project cost at this stage.

Commissioner Smith questioned why they cannot see if there are any other sources of funding. Ben Healey explained that it wouldn't be a short-term search. Commissioner Smith questioned if they could do it on just one of the turbines working. Ben Healey stated that they could, but it would then have to be fully redesigned, because of the flow and the hydraulics.

Reed Hundt requested that they discuss this project and call for a vote next week. Bert Hunter stated that one week would be the most that they would want to push it.

Commissioner Smith expressed her concern that it seems that the developers are unable to do this without the help of Ben Healey and would rather not approve it. Bert Hunter stated that there's no doubt that the developers have been very disappointing in this project. He stated that from the beginning staff had the feeling that they would need to provide significant guidance. He explained that staff has done exceptional diligence from the equipment and supply side. He stated that all of those conversations had convinced staff that the developers were on the wrong track. He explained that for the project to be successful equipment needed to be supplied from within the United States. He explained that they now have people doing the construction that know what they're doing. He advised that there is nothing unusual about this project at this stage.

In response to a question about expected performance once operational, Bert Hunter explained that as far as operating and maintaining, once these facilities start, there's very little that stops them, other than water flow which has been analyzed and confirmed. He explained that this equipment is locally sourced and operated by an asset manager that presently has 5 similar projects under management and two more in the

works. He stated that he is confident with where the project is at this point.

In response to a question about potential additional cost overruns, Bert Hunter explained that at this late stage with one month to go, staff did not anticipate that the capital costs would increase. He explained that the project is in a much better place now with much better equipment as a whole now.

Commissioner Smith questioned if the Board would like more time to discuss this project and have a vote on it next week. Matt Ranelli advised that he would prefer to wait another week. Norma Glover stated that she feels uncomfortable about giving \$5 million in 90 days.

Commissioner Smith advised that she would like to give the Board a couple of more days to discuss. As a result, action on was postponed to a future meeting of the Board.

b. Strategic Investments

Upon a motion made by Bettina Bronisz, and seconded by Matt Ranelli the Board unanimously approved the change

i. New England Hydropower Company (Hanover Pond Project)

Bert Hunter discussed New England Hydropower and the Hanover Pond Project. He introduced Phil Moreschi (Fuss & O'Neill), Michael Kerr, and Carol Wasserman (NEHC). Phil Moreschi explained that his company has been assisting with the permits and many elements of the installation process. Bert Hunter explained that this is a legacy project to establish a faster and lower cost installation process.

Bert Hunter discussed the project in detail. He discussed what has been completed so far and the next steps in the process. He explained that the PPA goes on for 20 years with two 10-year extensions. He explained that everything is coming together. He stated that the commercial operation should be up and running by mid-fall. He stated that they have been working with NEHC and that the key issue is technology, which is well established. He stated that critical replacement parts would be sourced within the United States. He also stated that financing is provided with Clean Renewable Energy Bonds through Bank of America.

Upon a motion made by Norma Glover, and seconded by Matt Ranelli, the Board voted unanimously to approve. Bettina Bronisz advised that her vote does not represent a position for the Office of the Treasurer with respect to the special capital reserve fund, which must be considered and approved by the OTT independently of Ms. Bronisz's vote on the resolution for the financing. Commissioner Klee advised that he is voting only on the financing and does not

represent a position with respect to other matters that come before the Department of Energy and Environmental Protection concerning the proposed project.

Resolution #2

WHEREAS, in accordance with (1) the statutory mandate of the Connecticut Green Bank (“Green Bank”) to foster the growth, development, and deployment of clean energy sources that serve end-use customers in the State of Connecticut, (2) the State’s Comprehensive Energy Strategy and (3) Green Bank’s Comprehensive Plan for Fiscal Years 2015 and 2016 (the “Comprehensive Plan”), Green Bank continuously aims to develop financing tools to further drive private capital investment into clean energy projects;

WHEREAS, New England Hydropower Company, LLC (“NEHC”) has used previously committed Operational Demonstration funding from the Connecticut Clean Energy Fund, Green Bank’s predecessor organization, to develop a small hydroelectric facility at the Hanover Pond Dam on the Quinnipiac River in Meriden (“Project”) and has requested financing support from the Green Bank, including working capital during project development;

WHEREAS, Banc of America Public Capital Corp (“Bank of America”) has extensive energy and tax credit bond financing expertise and has indicated interest in financing the Project as well as future renewable energy projects via New Clean Renewable Energy Bonds (“CREBs”). **WHEREAS**, the Green Bank would be considered a Qualified Issuer and Qualified Owner under CREBs, and the Project would qualify as a Qualified Renewable Energy Facility (as all of those terms are defined under regulations issued by the Internal Revenue Service);

WHEREAS, Green Bank staff recommends that the Green Bank Board of Directors (“Board”) approve of construction financing using ratepayer capital and the subsequent issuance of CREBs, in an amount not to exceed \$3,100,000 along with allocating the minimum capital reserve required for the use of the Special Capital Reserve Fund (“SCRF”), in an amount not to exceed \$250,000, as a strategic selection and award because of the special capabilities of Bank of America to provide capital at attractive rates for tax credit bond financing, the uniqueness of the Project, and the strategic innovation associated with securing the Green Bank’s first CREBs allocation.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors hereby approves an appropriation and bond authorization of \$3,100,000 for construction and financing costs for the Project, including costs associated with ownership of the Project (as required under CREBs regulations), as a strategic selection and award pursuant to Green Bank Operating Procedures Section XII; and

RESOLVED, that the Green Bank may extend a working capital guaranty, under the Green Bank’s existing working capital facility partnership with Webster Bank, to draws made by NEHC solely in connection with this Project and in an amount not to exceed \$300,000;

RESOLVED, that the President of the Green Bank and any other duly authorized officer is authorized to proceed with the prerequisites to the issuance of CREBs in an amount not to exceed \$3,100,000 with terms and conditions consistent with the memorandum submitted to the Board dated February 19, 2016, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 270 days from the date of authorization by the Board of Directors, provided that staff will submit for Board approval all resolutions required to approve all relevant documentation (such as an indenture of trust) required for the actual issuance of bonds;

RESOLVED, that the Green Bank Board of Directors hereby declares the Green Bank's official intent that payment of Project construction and financing costs may be made from temporary advances of other available funds of the Green Bank, and that the Green Bank reasonably expects to reimburse such advances from the proceeds of the CREBs financing in an amount not to exceed \$3,100,000; and

RESOLVED, that the President of the Green Bank and any other duly authorized officer is authorized to take appropriate actions to secure the issuance of CREBs utilizing the SCRF, provided the Green Bank complies with all statutory requirements for the SCRF, which will require among other things (1) State of Connecticut Office of Policy and Management approval, (2) an opinion of sufficiency as set forth in the Connecticut General Statutes ("CGS"), and (3) approval by the Office of the State Treasurer and other documentation required under the CGS; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

ii. United Technologies Corporation

Bert Hunter discussed the United Technologies Corporation ("UTC") transaction. He advised that the goal being sought jointly by UTC and Eversource is a 15% energy savings. He explained that timing is critical and work must begin on the work plan in the April to June timeframe. He advised that the Connecticut Green Bank will offer to provide a bridge loan to UTC while documentation is finalized for the proposed Bank of America financing. He advised that this enables UTC to undertake the investments required under the work plan while not displacing any capital needed for their core business activities.

Upon a motion made by Norma Glover, and seconded by Bettina Bronisz, the Board voted unanimously to approve.

Resolution #3

WHEREAS, in accordance with (1) the statutory mandate of the Connecticut Green Bank ("Green Bank") to foster the growth, development, and deployment of clean energy sources that serve end-use customers in the State of Connecticut, (2) the State's Comprehensive Energy Strategy and (3) Green Bank's Comprehensive Plan for Fiscal Years 2015 and 2016 (the "Comprehensive Plan"), Green Bank continuously aims to

develop financing tools to further drive private capital investment into clean energy projects;

WHEREAS, Eversource has proposed for subsidiaries of United Technology Corporation (“UTC”) a comprehensive energy savings program that will result in investments by UTC over a 3 year period that are anticipated to result in energy savings of approximately 15% (“UTC Energy Investment”);

WHEREAS, Bank of America has exclusive rights to the management of the PURA program to provide long-term financing for customer-side distribution resources (the “PURA Program”);

WHEREAS, the Green Bank proposes to make available to the relevant subsidiaries of UTC a \$5,500,000 bridge financing facility (“Bridge Loan”) to UTC in support of the UTC Energy Investment;

WHEREAS, Green Bank staff recommends that the Green Bank Board of Directors approve of the Bridge Loan as a strategic selection and award because of the special capabilities of Bank of America to provide capital at attractive rates under the PURA Program, the uniqueness of the UTC Energy Investment made possible due to the PURA program, the strategic importance of UTC to the Connecticut aerospace and defense industry, and the urgent need to act on the energy savings program as the energy savings measures to be financed will commence installation in the March through June 2016 period;

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors hereby approves the Bridge Loan to the relevant UTC companies as a strategic selection and award pursuant to Green Bank Operating Procedures Section XII;

RESOLVED, that the President of the Green Bank and any other duly authorized officer is authorized to proceed with the Bridge Loan commitment and documentation in an amount not to exceed \$5,500,000 with terms and conditions consistent with the memorandum submitted to the Board dated February 22, 2016, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board of Directors; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

5. Executive Session – Personnel Matters

Upon a motion made by Bettina Bronisz, and seconded by Norma Glover, the Board entered Executive Session at 5:34 p.m.

Upon exiting Executive Session at 5:45 p.m., the Board unanimously approved Resolution 5.

Resolution #5

RESOLVED, pursuant to Section 3.6 of the CGB Bylaws and Section VII of the CGB Operating Procedures, the Connecticut Green Bank Board of Directors (the "Board") approves the position of Vice President of Commercial and Industrial Programs ("Officer");

RESOLVED, the Board authorizes that the Chairperson of the Board shall determine the compensation for the Vice President of Commercial and Industrial Programs position in accordance with the approved salary ranges; and

RESOLVED, the Board approves the job description and responsibilities of the Director and Managing Director of Operations positions as described in Attachment A

6. Adjourn

The meeting was adjourned at 5:47 p.m.

Respectfully Submitted,

Catherine Smith, Chair